

What Is The Purpose Of The Small Employer Health Insurance Availability Act?

The purpose of the Small Employer Health Insurance Availability Act is to promote the availability of health insurance coverage to small employers regardless of the health status or claims experience of their employees.

Under the Small Employer Health Insurance Availability Act, any eligible small employer who wishes to have group health insurance coverage for its employees, regardless of the health conditions in that employer group, can obtain health insurance coverage.

The Health Insurance Portability and Availability Act of 1996 (HIPAA) required that all products in the small employer market issued or renewed after July 1, 1997 must be guaranteed to be issued to a small employer group, regardless of the health status of its members.

Who is eligible?

An employer group of 2 to 50 eligible employees. The employer must have employed no more than 50 eligible employees on at least 50% of the company's working days in the last calendar year.

An insurer may:

- 1) Require employees to complete an application for coverage, including health history;
- 2) Impose participation requirements on the group. That is, an insurer may require that a certain percent age of eligible employees be enrolled in the insurance program in order for a group to qualify;
- 3) Require documentation from the employer concerning the business and hours worked by the employees;
- 4) Consider an employee a late enrollee if he does not enroll within 30 days of becoming eligible for the coverage.

What happens if I don't enroll when I am initially eligible?

If you do not enroll in the small employer group health insurance plan when you are first eligible, and decide to get the coverage later, then you will be considered a late enrollee.

In some instances, an employee may waive coverage under a small employer group, because he has other coverage. If that coverage is later lost, then that employee will not be considered a late enrollee if all of the following requirements are met. The employee:

- 1) was covered by qualified previous coverage at the time he waived initial enrollment in the employer's group plan;
- 2) lost that qualified previous coverage as the result of termination of employment or eligibility, the involuntary termination of qualifying previous coverage, death of a spouse, or divorce;
- 3) requests enrollment in the employer group health plan within 30 days of the termination of the qualifying previous coverage.

What happens if I am a late enrollee?

The insurer may:

- 1) exclude you from coverage for 18 months; or
- 2) impose an 18-month pre-existing condition exclusion; or
- 3) impose both a period of exclusion from coverage and a pre-existing condition exclusion. However, the combined period must not exceed 18 months.

Can a pre-existing condition be excluded from coverage under the Small Employer Health Insurance Availability Act?

Yes. However, if you were previously covered under a creditable coverage and there was less than a 63 day break in coverage, then waiting periods met under the

creditable coverage will be credited toward satisfying the pre-existing waiting periods under your new group policy.

CREDITABLE COVERAGE UNDER HIPAA

Includes, but not limited to:

- 1) A group health plan-whether fully insured or self-funded;
- 2) Comprehensive individual health insurance coverage;
- 3) Medicare
- 4) Medicaid

NOTE: Waiting periods imposed by a new employer before you are eligible for coverage do not constitute a break in coverage.

Does a husband and wife constitute a group?

Yes, if they each meet the definition of eligible employee. Each must pay an employee premium.

If my group purchases a guaranteed issue policy from one insurer, does that policy cost the same through all insurers?

No. Each insurer can determine its rates for a group based on the claims experience for all small employers insured by that insurer.

Your rate for your guaranteed issue policy can be affected by several factors, including: age, gender, geographic area, industry, and family composition. In addition, your **group**, not one individual, can be charged more due to the health conditions of members of the group.

*Prior to June 10, 1997, premium rates in the small employer group market were based on a modified community rating.

With the change in legislation, June 10, 1997, a carrier

in the small employer market is allowed to charge no more than 25 % over the index rate for a small employer group with health conditions.

Can an employer offer coverage only to a certain classification of employees?

No. An employer cannot "classify" employees.

Eligible employees are defined as: employees of a single employer, the officers, managers, and employees of the employer and of subsidiary or affiliated corporations of a corporate employer and the individual proprietors, partners; and employees of individuals and firms the business of which is controlled by the insured employer through stock ownership, contract or otherwise, who:

- 1) work on a full-time basis; and
- 2) have a normal work week of 30 or more hours.

Which insurers are marketing the guaranteed issue products?

The South Carolina Department of Insurance will maintain a listing of insurers marketing to small business employers.

The listings will be updated as insurers are added to the market. Please contact the Department of Insurance's Office of Consumer Services for a copy of the current listing.

Whom do I contact if I have more questions?

Your agent should be able to answer your questions for you. If not, then please feel free to contact the Consumer Services Division of the South Carolina Department of Insurance in Columbia, at (803) 737-6180 or 1-800-768-3467. You may also write to the Department at the address listed on the front of the brochure.

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STATE OF SOUTH CAROLINA DEPARTMENT OF INSURANCE

THE SMALL EMPLOYER HEALTH INSURANCE AVAILABILITY ACT

Questions and Answers



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Number 16 - Published November 1998